

Q3 2012



Imperial Beach Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (July - September 2012)

Imperial Beach In Brief

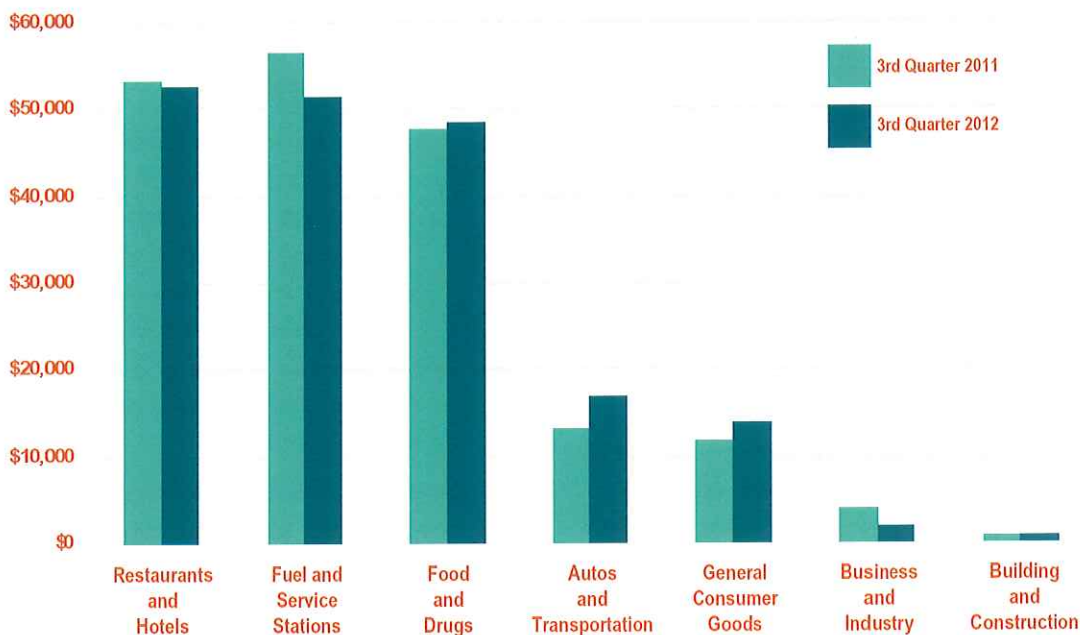
Receipts for Imperial Beach's July through September sales were 1.4% lower than the same quarter one year ago.

The sales decline from service stations was a significant factor in the city's overall losses. In addition, a combination of onetime payments and adjustments was largely responsible for the decrease from the business and industry sector. The restaurant group was temporarily depressed by double payments that inflated the comparison quarter.

The losses were partially offset by gains from used auto dealers and auto supply stores. General consumer goods also posted sales increases from multiple categories including, family apparel, specialty stores, and home furnishings. Receipts from food and drugs were up but, slightly muted by a retroactive adjustment that boosted the year ago period.

Adjusted for aberrations, taxable sales for all of San Diego County increased 5.7% over the comparable time period, while the Southern California region as a whole was up 6.7%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

13th Street Market	IB Forum Sports Bar & Grill
7 Eleven	Jack in the Box
7 Eleven	KFC
7 Eleven	La Posta Market
7 Eleven	McDonalds
Arco	O'Reilly Auto Parts
Carls Jr	Subway
CVS Pharmacy	Surf Hut
Dominos	Valero
El Tapatio Restaurant	Wallys Marketplace
Fine Auto Store	Western Fuel Group
G & M Oil	Wienerschnitzel
HS Cars	

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2011-12	2012-13
Point-of-Sale	\$373,060	\$407,030
County Pool	42,397	46,582
State Pool	46	155
Gross Receipts	\$415,502	\$453,767
Less Triple Flip*	\$(103,876)	\$(113,442)

**Reimbursed from county compensation fund*

Statewide Results

Gains in all seven of HdL's key economic groupings confirm that California's economy continues to mend. Statewide local sales and use tax revenues from transactions occurring July through September 2012 were 6.0% higher than the same quarter in 2011 after onetime accounting and reporting aberrations are factored out.

The continued strong demand for new autos exceeded analysts' expectations and generated about one-fourth of the adjusted statewide increase. Restaurant sales posted another strong quarter with receipts 6.6% higher than the same period one year ago. Use tax from the development of solar energy projects and a modest recovery in some categories of building and construction materials also contributed to the rise.

Overall sales growth was tempered by a leveling in fuel prices compared to the previous year's quarter and by a slowdown in business spending in the Silicon Valley.

The Year Ahead

Gains in sales and use tax receipts from the first half of 2013 are expected to be lower than previous quarters. Recovery from "fiscal cliff" uncertainties and its final outcome may take several months while Europe's financial woes and China's sluggish growth will temper California export activity. Fuel prices should stabilize and not generate the huge bubbles in tax revenues experienced in previous quarters.

The last half of the year is predicted to resume steady, moderate growth. In November, the state's unemployment rate had already dipped to 9.8 percent, the lowest since the recession began. The recent gains are becoming more widespread among job categories and

even include an increase in construction-related employment.

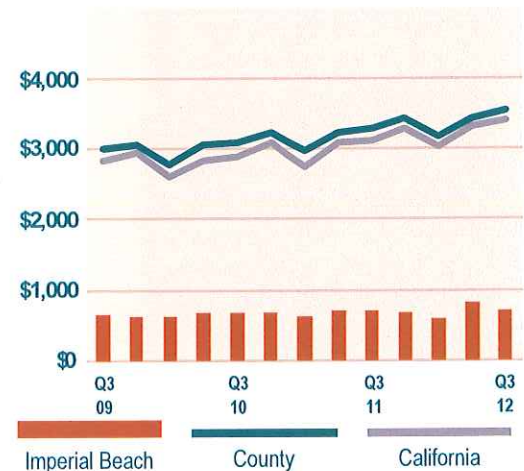
The state's housing market is strengthening with fewer distressed transactions and record low inventories. The median sales price of homes has increased for the last eight consecutive months of the year and building activity, particularly in the coastal areas, is expected to pick up steam in 2013. Elevated foreclosure rates in some inland regions may delay building recovery for another year or two.

Pent-up demand, record low interest rates and easing credit availability have led to robust sales of new automobiles. That demand is expected to continue for another few quarters as consumers replace older, less fuel efficient models and take advantage of lease and financing incentives being offered by manufacturers.

Wage gains from new hiring, combined with lower fuel prices and an improv-

ing housing market are incrementally boosting consumer confidence but much depends on government stewardship of the recovery. Tax increases and reduced benefits could shrink spending at the lower income levels while overly deep cutbacks in government contracts and infrastructure improvements could discourage new business investment.

SALES PER CAPITA



IMPERIAL BEACH TOP 15 BUSINESS TYPES

Business Type	Imperial Beach		County	HdL State
	Q3 '12	Change	Change	Change
Automotive Supply Stores	4,304	83.1%	0.9%	0.8%
Cigar Stores	— CONFIDENTIAL —		12.4%	10.4%
Drug Stores	— CONFIDENTIAL —		-4.1%	0.4%
Electrical Equipment	— CONFIDENTIAL —		46.6%	18.2%
Grocery Stores Beer/Wine	21,520	0.7%	15.0%	4.4%
Grocery Stores Liquor	7,741	-0.3%	10.6%	9.6%
Home Furnishings	2,226	73.7%	4.9%	4.6%
Package Liquor Stores	6,053	-11.6%	6.1%	4.6%
Restaurants Beer And Wine	11,844	-5.2%	1.9%	2.1%
Restaurants Liquor	8,016	-9.1%	11.6%	8.6%
Restaurants No Alcohol	32,234	2.1%	8.8%	8.1%
Service Stations	51,381	-9.2%	-0.6%	1.6%
Specialty Stores	3,806	32.9%	1.7%	0.9%
Sporting Goods/Bike Stores	3,289	8.3%	9.9%	6.7%
Used Automotive Dealers	10,659	31.7%	15.9%	11.7%
Total All Accounts	\$185,730	-1.0%	7.6%	8.8%
County & State Pool Allocation	20,141	-4.8%		
Gross Receipts	\$205,871	-1.4%		